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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI 6304-82 2 August 1982

MEMORANDUM FOR:	: Director of Central Intelligence Deputy Director of Central Intelligence		
FROM:	A/NIO/NESA	25X1	
SUBJECT:	Talking Points for Meeting with Secretary Shultz		

- 1. Iran-Iraq. The latest Iranian attack has failed. Last week we informally polled community analysts on the implications of an Iranian defeat. All agreed that:
 - -- Khomeini's determination to oust Saddam will not flag. The Ayatollah does not give up easily.
 - -- Iran will make major efforts to prevent Iraq from holding the NAM summit next month including air strikes, subversion, terrorism and perhaps another offensive.
 - -- Tehran may allow mediation efforts to resume between the two capitals but only as a tactical gesture so long as Saddam is in power.
 - -- The Soviets prefer a prolonged stalemate which makes both sides more receptive to military and economic aid and keeps the conservative Gulf states exposed to Islamic unrest.
 - -- The defeat will <u>not</u> shake Khomeini's internal position. The clerical regime has withstood much worse setbacks before (Iraq's invasion, Beheshti's death). Prolonging the war, moreover, offers a continuing means to rally religious and nationalistic fervor, while keeping the army safely involved along the border. Economic problems can be blamed on the war.
- 2. Lebanon. The seige of Beirut -- more than 50 days old -- is steadily undermining US credibility in the Arab world.
 - -- In Egypt the regime is disillusioned with the US, Israel and the Camp David peace process.

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- -- In Jordan our Embassy reports that many now believe the US has no long-range peace policy and is seeking a Beirut settlement as an end in itself.
- -- In Saudi Arabia and the Gulf States the Beirut crisis complicates our efforts to forge a united stand against Iranian adventurism.

In both Egypt and Saudi Arabia new and vulnerable pro-US leaders -- Mubarak and Fahd -- may have their own credibility eroded because they are perceived to be unable to influence the US to rein in Israel.

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